

CITY OF LECOMPTON, KANSAS

STATUTORY BASIS FINANCIAL STATEMENTS
For the year ended December 31, 2012

And

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

...**KL**...

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CITY OF LECOMPTON, KANSAS
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Karlin & Long, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

The Honorable Mayor and City Council
P.O. Box 100
Lecompton, Kansas 66050

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Lecompton, Kansas ("Municipality") as of and for the year ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Lecompton to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Lecompton as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

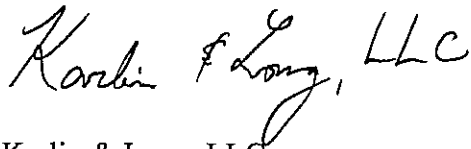
Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Lecompton (“Municipality”) as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinion on the 2012 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the 2012 basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 basic financial statement. The 2012 information

has been subjected to the auditing procedures applied in the audit of the 2012 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 basic financial statement or to the 2012 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2012 basic financial statement as a whole, on the basis of accounting described in Note 1.

A handwritten signature in black ink that reads "Karlin & Long, LLC". The signature is written in a cursive, flowing style.

Karlin & Long, LLC
Certified Public Accountants

Lenexa, KS
January 25, 2013

CITY OF Lecompton, Kansas
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2012

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 166,712	\$ 0	\$ 191,518	\$ 171,550	\$ 186,680	\$ 0	\$ 186,680
Special Purpose Funds							
Employee benefit reserve	606	0	6,769	4,907	2,468	0	2,468
Consolidated Street & highway	3,283	0	16,283	2,401	17,165	0	17,165
CDBG Grant Fund	0	0	104,294	104,294	0	0	0
Equipment reserve	8,120	0	2,300	5,544	4,876	0	4,876
Housing Grant	1,362	0	0	0	1,362	0	1,362
Business Funds:							
Sewer Utility	109,002	0	53,760	63,198	99,564	0	99,564
Water Utility	365,692	0	191,119	142,989	413,822	0	413,822
Bond and Interest Fund:							
Bond and Interest	4,195	0	104,001	100,214	7,982	0	7,982
Capital Project							
Water Tower	6,983	0			6,983	0	6,983
Total Reporting Entity	\$ 665,955	\$ 0	\$ 670,044	\$ 595,097	\$ 740,902	\$ 0	\$ 740,902
Composition of Cash							
Checking Accounts							\$ 263,157
Savings Accounts							28,378
Petty Cash							
Municipal Investment Pool							449,367
Certificates of Deposit							
Total Component Unit							
Total Reporting Entity							\$ 740,902

The notes to the financial statements are an integral part of this statement.

CITY OF LECOMPTON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Lecompton, Kansas is a municipal corporation governed by an elected six member council. The regulatory statement presents the City of Lecompton (the municipality). There are no organizations which meet the criteria for being combined in the City's report.

Regulatory Basis Fund Types

General Fund – The chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds - Used to account for the proceeds of specific tax levies and other specific revenue sources (other than major capital projects and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Fund – Used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Business Funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. water fund, sewer fund, etc.)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt. Accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

CITY OF LECOMPTON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the General Fund, Special Purpose Funds (unless specifically exempted by statute), Bond and Interest Funds, and Business Funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenues other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the 2012 year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unused budgeted expenditure authority lapses at year end.

CITY OF LECOMPTON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (continued)

A legal operating budget is not required for capital projects funds, trust funds and the following special revenue funds:

- 1) Capital Improvement Fund,
- 2) Equipment Reserve Fund,
- 3) CDBG Grant Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 2 – Stewardship, Compliance and Accountability

We noted no violations of Kansas Statutes for the period under audit.

NOTE 3 – Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the government may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

CITY OF LECOMPTON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Deposits and Investments (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2012.

At December 31, 2012, the City's carrying amount of deposits was \$ 740,902 and the bank balance was \$ 740,919. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance at year end, \$ 500,000 was covered by federal depository insurance and the remaining \$ 240,919 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial Credit Risk- Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 4 – Defined Benefit Pension Plan

Plan Description – The City of Lecompton, Kansas participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

CITY OF LECOMPTON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Defined Benefit Pension Plan (continued)

Funding Policy – K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depending on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of section 414 (h) of the Internal Revenue Code. Kansas law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

The State of Kansas is required to contribute the statutory required employers share.

NOTE 5 – Other Long Term Obligations from Operations

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the city is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the city makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Compensated Absences

City employees receive vacation and sick leave benefits. Vacations benefits accrue on a monthly basis and an annual carryover caps the number of days transferred from year to year. Upon termination, employees are compensated for any unused vacation leave. Sick leave accrues on a monthly basis up to a maximum. Upon termination, employees are not compensated for any unused sick leave. This amount has not been recorded in the financial statements.

CITY OF LECOMPTON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Claims and Judgments

The City participates in federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of January 25, 2013, grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

The City is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The City has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2011 to 2012 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations the City is a party to various claims, legal actions and complaints. It is the opinion of the City's management and legal counsel that these matters are not anticipated to have a material financial impact on the City.

NOTE 7 – Compliance With Other Finance-Related Legal and Contractual Provisions

The revenue bond indenture requires that two reserve accounts be maintained. The "1981 Water System Principal and Interest Account" and the "1981 Water System Bond Reserve Account."

Principal and Interest Account – An amount shall be transferred monthly to the principal and interest account equal to 1/12th of the next maturing principal and interest payment beginning February 24, 1981, and each month thereafter.

Bond Reserve Account – Monthly transfers of \$34 commencing February 24, 1981, shall be made to the bond reserve account until a sum of \$4,000 is accumulated.

The above reserve requirements were met as of December 31, 2012.

CITY OF LECOMPTON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – Operating Transfers

Transfers during 2012 were as follows

:

	From	To	
Water Fund	Debt Service	\$ 55,000	per K.S.A. 12-825d
Sewer Fund	Debt Service	20,000	per K.S.A. 12-825d

NOTE 9 – Subsequent Events

Management has evaluated the effects of the financial statement of subsequent events occurring through January 25, 2013 which is the date at which the financial statement was available to be issued.

NOTES TO FINANCIAL STATEMENTS

Changes in long-term liabilities for the City for the year ended December 31, 2012 were as follows:

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City of Lecompton, Kansas

Regulatory-Required

Supplementary Information

For the year ended December 31, 2012

CITY OF LECOMPTON, KANSAS
Summary of Expenditures - Actual and Budget
Regulatory Basis
(Budgeted Funds Only)
For the Year Ended December 31, 2012

Funds	Certified Budget	Adjustments to Comply with Legal Max	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund	\$ 329,065	\$ 0	\$ 0	\$ 329,065	\$ 171,550	\$ (157,515)
Special Purpose Funds:						
Employee Benefit Fund	10,000	0	0	10,000	4,907	(5,093)
Consolidated Street & Highway	114,757	0	0	114,757	2,401	(112,356)
Total Special Purpose Funds	124,757	0	0	124,757	7,308	(117,449)
Business Funds:						
Sewer utility	155,753	0	0	155,753	63,198	(92,555)
Water Utility	345,322	0	0	345,322	142,989	(202,333)
Total Business Funds	501,075	0	0	501,075	206,187	(294,888)
Bond and Interest Fund:						
Bond and Interest	102,214	0	0	102,214	100,214	(2,000)

The notes to the financial statements are an integral part of this statement.

CITY OF LECOMPTON, KANSAS
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2012

	Actual	Budget	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 36,352	\$ 36,908	\$ (556)
Delinquent tax	1,473	1,000	473
Motor vehicle tax	6,694	5,485	1,209
RV tax	98	84	14
16/20M vehicle tax	60	81	(21)
Total taxes	44,677	43,558	1,119
Franchise fees	20,027	25,000	(4,973)
Intergovernmental revenues	1,716	1,359	357
Sales tax	79,489	75,000	4,489
Licenses, rent, permits	3,374	5,000	(1,626)
Solid Waste Collections	29,474	32,000	(2,526)
Interest income	2,804		2,804
Miscellaneous revenues	9,957		9,957
Operating transfers			0
Total Cash Receipts	191,518	181,917	9,601
EXPENDITURES			
General government			
Personnel services	20,929	25,000	4,071
Contractual	74,707	40,000	(34,707)
Commodities	17,219	60,000	42,781
Total General Government	112,855	125,000	12,145
Highways and streets	22,391	62,000	39,609
Debt service			0
Sanitation	35,200	30,000	(5,200)
Parks & Recreation	1,104	7,500	6,396
Capital outlay		104,565	104,565
Operating transfers			0
Adjustment for qualifying budget credits			0
Total Expenditures	171,550	\$ 329,065	\$ 157,515
Receipts Over (Under) Expenditures	19,968		
Unencumbered Cash, Beginning	166,712		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	\$ 186,680		

The notes to the financial statements are an integral part of this statement.

CITY OF LECOMPTON, KANSAS
SPECIAL PURPOSE FUND
 EMPLOYEE BENEFITS FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 Regulatory Basis
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 5,847	\$ 6,076	\$ (229)
Delinquent tax	138	130	8
Motor vehicle tax	775	854	(79)
RV tax	8	13	(5)
16/20M vehicle tax	1	12	(11)
Intergovernmental revenue			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
 Total Cash Receipts	 <u>6,769</u>	 <u>7,085</u>	 <u>(316)</u>
EXPENDITURES			
General administration	4,907	10,000	5,093
Public safety			
Personnel services			0
Commodities			0
Contractual			0
Capital outlay			0
Operating transfers			0
Adjustment for qualifying budget credits			0
 Total Expenditures	 <u>4,907</u>	 <u>\$ 10,000</u>	 <u>\$ 5,093</u>
 Receipts Over (Under) Expenditures	 1,862		
Unencumbered Cash, Beginning	606		
Prior Year Cancelled Encumbrances	<u>0</u>		
 Unencumbered Cash, Ending	 <u>\$ 2,468</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF LECOMPTON, KANSAS
SPECIAL PURPOSE FUND
 CONSOLIDATED STREET & HIGHWAY FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 Regulatory Basis
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
16/20M vehicle tax			0
Fuel tax	16,283	19,570	(3,287)
Sales tax			0
Bond proceeds			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>16,283</u>	<u>19,570</u>	<u>(3,287)</u>
EXPENDITURES			
Highway & Streets	2,401	114,757	112,356
Operating transfers			0
Adjustment for qualifying budget credits			0
	<u>2,401</u>	<u>\$ 114,757</u>	<u>\$ 112,356</u>
Total Expenditures			
	<u>2,401</u>	<u>\$ 114,757</u>	<u>\$ 112,356</u>
Receipts Over (Under) Expenditures	13,882		
Unencumbered Cash, Beginning	3,283		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 17,165</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF LECOMPTON, KANSAS
BUSINESS FUND
 SEWER UTILITY FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 Regulatory Basis
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Charges for services	\$ 53,760	\$ 65,000	\$ (11,240)
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>53,760</u>	<u>65,000</u>	<u>(11,240)</u>
Total Cash Receipts			
	<u>53,760</u>	<u>65,000</u>	<u>(11,240)</u>
EXPENDITURES			
General Government	15,420	39,000	23,580
Production	17,075	38,000	20,925
Capital outlay		63,753	63,753
Debt service	10,703		(10,703)
Operating transfers	20,000	15,000	(5,000)
Adjustment for qualifying budget credits			0
	<u>63,198</u>	<u>155,753</u>	<u>92,555</u>
Total Expenditures			
	<u>63,198</u>	<u>155,753</u>	<u>92,555</u>
 Receipts Over (Under) Expenditures	 (9,438)		
Unencumbered Cash, Beginning	109,002		
Prior Year Cancelled Encumbrances	<u>0</u>		
 Unencumbered Cash, Ending	 <u>\$ 99,564</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF LECOMPTON, KANSAS
BUSINESS FUND
WATER FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Charges for services	\$ 191,119	\$ 200,000	\$ (8,881)
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>191,119</u>	<u>200,000</u>	<u>(8,881)</u>
Total Cash Receipts			
	<u>191,119</u>	<u>200,000</u>	<u>(8,881)</u>
EXPENDITURES			
General Government	26,288	177,000	150,712
Production	57,781	113,322	55,541
Capital outlay			0
Debt service	3,920		(3,920)
Operating transfers	55,000	55,000	0
Adjustment for qualifying budget credits			0
	<u>142,989</u>	<u>345,322</u>	<u>202,333</u>
Total Expenditures			
	<u>142,989</u>	<u>\$ 345,322</u>	<u>\$ 202,333</u>
 Receipts Over (Under) Expenditures	 48,130		
Unencumbered Cash, Beginning	365,692		
Prior Year Cancelled Encumbrances	<u>0</u>		
 Unencumbered Cash, Ending	 <u>\$ 413,822</u>		

The notes to financial statements are an integral part of this statement.

CITY OF LECOMPTON, KANSAS
BOND AND INTEREST FUND
 BOND AND INTEREST FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 Regulatory Basis
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 25,770	\$ 25,861	\$ (91)
Delinquent tax	390		390
Motor vehicle tax	2,803	3,797	(994)
RV tax	34	58	(24)
16/20M vehicle tax	4	55	(51)
Fuel tax			0
Sales tax			0
Bond proceeds			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>75,000</u>	<u>70,000</u>	<u>5,000</u>
Total Cash Receipts	<u>104,001</u>	<u>99,771</u>	<u>4,230</u>
EXPENDITURES			
Debt Service	100,214	102,214	2,000
Operating transfers			0
Adjustment for qualifying budget credits	<u> </u>	<u> </u>	<u>0</u>
Total Expenditures	<u>100,214</u>	<u>\$ 102,214</u>	<u>\$ 2,000</u>
Receipts Over (Under) Expenditures	3,787		
Unencumbered Cash, Beginning	4,195		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 7,982</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF LECOMPTON, KANSAS

ANY NONBUDGETED FUNDS

Regulatory Basis

For the Year Ended December 31, 2012

	CDBG Street Grant	Equipment Reserve	Housing Grant
CASH RECEIPTS			
Federal grants	\$ 104,294	\$	\$
State aid/grants			
Loan Proceeds			
Charges for services			
Interest income			
Miscellaneous revenues		2,300	
Operating transfers			
Total Cash Receipts	<u>104,294</u>	<u>2,300</u>	<u>0</u>
EXPENDITURES			
Operations			
Personnel services			
Commodities			
Contractual		5,544	
Capital outlay	104,294		
Debt service			
Operating transfers			
Adjustment for qualifying budget credits			
Total Expenditures	<u>104,294</u>	<u>5,544</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	(3,244)	0
Unencumbered Cash, Beginning	0	8,120	1,362
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u><u>0</u></u>	\$ <u><u>4,876</u></u>	\$ <u><u>1,362</u></u>

The notes to the financial statements are an integral part of this statement.

...KL...

Karlin & Long, LLC
Certified Public Accountants

The Honorable Mayor and City Council
P.O. Box 100
Lecompton, Kansas 66050

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the City of Lecompton, Kansas as of and for the year ended December 31, 2012 and have issued our report thereon dated January 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Lecompton, Kansas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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City Council
City of Lecompton, Kansas

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lecompton, Kansas's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Karlin & Long, LLC".

Karlin & Long LLC
Certified Public Accountants

January 25, 2013